

ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

March 30, 2017

Maureen K. Ohlhausen
Acting Chairman
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Dear Acting Chairman Ohlhausen:

Pursuant to Rules X and XI of the U.S. House of Representatives, the Committee is examining the Federal Trade Commission's (FTC) role in protecting consumers from fraudulent campaigns on crowdfunding platforms. According to media reports, crowdfunding scams are occurring more frequently,¹ raising questions about the FTC's policy for ensuring that these platforms are not used to deceptively or fraudulently solicit charitable contributions.

Crowdfunding allows individuals and businesses to fund projects or ventures by raising funds from a variety of people, commonly through online platforms.² In 2015, crowdfunding websites raised an estimated total of \$2 billion.³ While the majority of donations on crowdfunding platforms likely reach intended beneficiaries, it appears this is not always the case.⁴ For example, the Associated Press reviewed 30 out of 430 crowdfunding campaigns on GoFundMe.com intended for victims of the June 12, 2016, Orlando nightclub shooting.⁵ The review found that "most campaigns lacked key details, such as exactly what the donations would

¹ See Becky Yerak, 'Suspicious' Crowdfunding Activity on the Rise, CHICAGO TRIBUNE, Oct. 15, 2015, available at <http://www.chicagotribune.com/business/ct-crowdfunding-fincen-sars-1015-biz-20151015-story.html>; see also Catherine Fredman, *Fund Me or Fraud Me? Crowdfunding Scams Are on the Rise*, CONSUMER REPORTS, Oct. 5, 2015, available at <http://www.consumerreports.org/cro/money/crowdfunding-scam>.

² See FTC, Press Release, *Crowdfunding Project Creator Settles FTC Charges of Deception*, Jun. 11, 2015, available at <https://www.ftc.gov/news-events/press-releases/2015/06/crowdfunding-project-creator-settles-ftc-charges-deception>.

³ See *Lawmakers Take Closer Look at Potential Crowdfunding Scams*, CBS NEWS, Mar. 2, 2016, available at <http://www.cbsnews.com/news/crowdfunding-sites-gofundme-youcaring-fraud-unregulated-ftc/>

⁴ Jeff Donn, *Scams & Waste Looms as Charity Millions Donated After Orlando Nightclub Shooting*, ASSOCIATED PRESS, Aug. 27, 2016, available at <http://bigstory.ap.org/article/c2b226a844e340cdb57e6b89367d7518/scams-waste-loom-charity-millions-donated-after-orlando>.

⁵ *Id.*

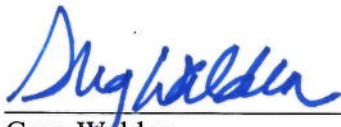
cover or even who was asking for them.”⁶ Similarly, in 2012, before Hurricane Sandy even reached the United States, over 1,000 websites were created to support victims of the storm, including many questionable campaigns attempting to solicit donations while providing virtually no information about who was organizing the campaign or how the money would be spent.⁷ Additional news reports have highlighted numerous instances of fraudulent charitable crowdfunding campaigns, including a campaign organizer pocketing a portion of money raised to pay for a funeral,⁸ and another who raised thousands of dollars for a patient that was never sick.⁹

The FTC is charged with enforcing Section 5 of the FTC Act, prohibiting unfair or deceptive acts or practices in or affecting commerce.¹⁰ To date, the FTC appears to have pursued one case involving a crowdfunding campaign.¹¹ In 2015, the FTC settled with Erik Chevalier, after the corporation he founded raised \$122,000 to produce a board game, promising to provide backers with a copy of the game and other rewards.¹² The FTC’s complaint alleged that most of the money was spent on personal expenses such as rent, and the case was ultimately settled.¹³ According to an FTC attorney speaking in 2015 about the Chevalier case, “[t]here’s been an uptick in consumer complaints since this case was announced. The case has alerted consumers to the fact that FTC is looking into this area.”¹⁴

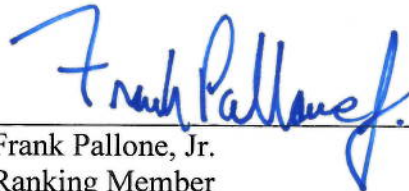
The Committee seeks information about the FTC’s actions and policies for ensuring that crowdfunding platforms are not being used to fraudulently or deceptively solicit charitable contributions, and requests that the FTC provide Committee staff with a briefing on the matter. Please make arrangements to schedule this briefing no later than April 12, 2017.

Your assistance is greatly appreciated. If you have any questions, please contact Lamar Echols of the Majority Committee staff at 202-225-2927 and Jon Monger of the Minority Committee staff at (202) 225-3641. Thank you for your attention to this matter.

Sincerely,



Greg Walden
Chairman
Committee on Energy and Commerce



Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce

⁶ *Id.*

⁷ See David Fitzpatrick & Drew Griffin, *Scammers Create Fake Donation Websites for Sandy Victims*, CNN, Nov. 11, 2012, available at <http://www.cnn.com/2012/11/11/us/superstorm-sandy-charity-scams/>.

⁸ See CBS News, *supra* note 3.

⁹ See Fredman, *supra* note 1.

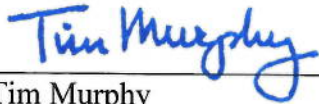
¹⁰ 15 U.S.C. § 45(a).

¹¹ See FTC Press Release, *supra* note 2.

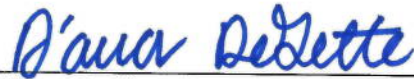
¹² *Id.*

¹³ *Id.*

¹⁴ See Fredman, *supra* note 1.



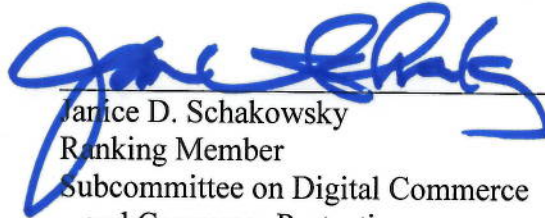
Tim Murphy
Chairman
Subcommittee on Oversight and
Investigations



Diana DeGette
Ranking Member
Subcommittee on Oversight and
Investigations



Robert E. Latta
Chairman
Subcommittee on Digital Commerce
and Consumer Protection



Janice D. Schakowsky
Ranking Member
Subcommittee on Digital Commerce
and Consumer Protection